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1965

ANNUAL
REPORT



AUTO
ELECTRIC
SERVICE
COMPANY,
LIMITED

AUTO ELECTRIC SERVICE COMPANY, LIMITED

1000 LAWRENCE AVE. WEST

EST. 1918

TORONTO, ONTARIO

DIRECTORS

GEORGE J. BEATTIE

MARY M. BEATTIE

H. C. BRINDLE

L. P. CHALMERS

A. A. KERR

C. E. McTAVISH

J. B. GILLESPIE

OFFICERS

Chairman of the Board - - - GEORGE J. BEATTIE

President - - - - - H. C. BRINDLE

Vice-President, Finance - - - - A. A. KERR

Secretary - - - - - A. C. FIELD

WHOLLY-OWNED SUBSIDIARIES

AUTO ELECTRIC SERVICE (PACIFIC) LIMITED - - - - - *Vancouver, Kamloops, Nelson
and Penticton, British Columbia*

AUTO ELECTRIC SERVICE (VICTORIA) LIMITED - - - - - *Victoria, British Columbia*

AUTO ELECTRIC SERVICE (WESTERN) LIMITED - - - - - *Winnipeg and Dauphin, Manitoba*

AUTOLEC SERVICES (QUEBEC) LIMITED - - - - - *Montreal, Quebec*

CANADIAN AVIATION PRODUCTS, LIMITED - - - - - *Toronto, Ontario*

AUTOLEC SERVICES (ONTARIO) 1963, LIMITED

Harris Auto Electric Division - - - - - *Barrie, Ontario*

Cliff Towle Auto Electric Division - - - - - *Peterborough, Ontario*

North Bay Auto Electric Division - - - - - *North Bay, Ontario*

Yuill & Craig Auto Electric Division - - - - - *Sudbury, Ontario*

Westway Auto Electric Division - - - - - *Brampton, Ontario*

Kitchener Auto Electric Limited - - - - - *Kitchener, Ontario*

TRANSFER AGENTS AND REGISTRARS

NATIONAL TRUST COMPANY, LIMITED - - - - - *Toronto*

SOLICITORS

FRASER, BEATTY, TUCKER, MCINTOSH & STEWART - - - - - *Toronto*

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE - - *Toronto, Barrie, Kitchener, Peterborough,
North Bay, Sudbury, Winnipeg, Vancouver and Victoria*

AUDITORS

CAMPBELL, LAWLESS AND PUNCHARD - - - - - *Toronto*

Annual Report of the Directors

TO THE SHAREHOLDERS:

Your directors submit the Annual Report of the Company, together with the Consolidated Balance Sheet as at December 31st, 1965, and the related consolidated statements of profit and loss and earned surplus with comparative figures for the previous year.

Consolidated sales of the Company and its subsidiaries for the year 1965 increased 4% over the volume of the previous year. This increase in sales volume is relatively satisfactory when it is considered that the full impact of a year's sales loss of the semi-exclusive market referred to in the last report, has been absorbed and all divisions of the Company have moved ahead in sales gains.

Gross Profit margins continue to improve over the previous year and reflect the result of the increasing acceptance by the Automotive Trade of Autolec's branded products, an improvement in gross margins on existing products, and a concentration of sales efforts on products and services providing above-average gross profits.

Operating costs in 1965 increased fractionally in dollars but were reduced as a percentage of sales. Profits before Income Tax increased over the previous year by 21%. Net profit results after provision for Income Tax increased by \$21,127.

Your Company purchased the outstanding shares of Kitchener Auto Electric Limited, a long-established automotive parts and service organization in Kitchener, Ontario in July, 1965. While the purchase price was nominal, and was represented by fast moving stock of an equivalent value, the company was operating in a depressed position and a loss carried on the books of this company of \$14,175 was consolidated in this statement which decreased the profits before tax without a comparable reduction in income tax. This acquisition further expands the markets for Autolec products and should become a profitable operation.

A move of major significance was completed in December, 1965 with the removal of your Company's operations from Bay Street, Toronto to new leased premises at 1000 Lawrence Avenue West, Toronto. A tear sheet from the announcement appearing in the Toronto Globe and Mail has already been mailed to you. These new premises, designed and built to our specifications for our type of business, are strategically located in the geographic centre of our trading area and have enabled your Company to consolidate the branch operations in Metro Toronto into these new premises at a substantial saving in operating cost, without detracting from the services offered to our customers.

Enclosed with this report is a reprint of an editorial and advertisement section outlining your Company's new facilities and providing a comprehensive review of our facilities across Canada. This special section appeared in the March issue of Canadian Automotive Trade Publication which has been released to approximately 35,000 automotive repair outlets in Canada. We refer you to the contributions of advertising provided in this issue by our Manufacturer-Suppliers in support of your Company and the wide expanse of products which your Company is privileged to distribute.

The Bay Street premises are now being offered for sale through a prominent real estate organization.

COMPARATIVE PROFIT & LOSS STATISTICS:

YEAR ENDED	OPERATING PROFITS	PROVISION FOR DEPRECIATION	INCOME TAXES	NET PROFIT
December 31st, 1965	\$383,987	\$79,397	\$143,796	\$160,794
December 31st, 1964	\$317,748	\$66,580	\$111,501	\$139,667

DIVIDENDS:

Dividends totalling 25 cents per share were paid on the issued and outstanding shares.

Disposition of Income and Comparison with previous year:

For each \$100.00 of sales:	1965	1964
Paid for Merchandise, Technical Service and other operating costs - - - - -	\$97.15	\$97.56
Operating Profit before taxes -	<u>2.85</u>	<u>2.44</u>
	\$100.00	\$100.00
Operating Profit -	<u>2.85%</u>	<u>2.44%</u>
Income Taxes thereon -	<u>1.34%</u>	<u>1.08%</u>
	<u>1.51%</u>	<u>1.36%</u>
Dividends to Shareholders -	<u>.92%</u>	<u>.96%</u>
Earnings Re-invested in the business -	<u>.59%</u>	<u>.40%</u>
	<u>1.51%</u>	<u>1.36%</u>

CONSOLIDATED BALANCE SHEET FEATURES:

Accounts Receivable were fractionally higher than last year, reflecting higher sales volume. Adequate reserves have been provided but Bad Debt losses were negligible in 1965.

INVENTORIES:

Merchandise inventories increased \$77,753 compared with 1964 but reflect the same rate of turnover as the previous year.

PROPERTY, PLANT AND EQUIPMENT

The following is a consolidated statement of your Company's Fixed Assets:

Land -	\$252,093
Buildings -	\$807,939
Less Accumulated Depreciation -	<u>259,210</u>
Equipment, Tools, Furniture, Automobiles and Trucks - - - - - - - - - - - -	\$723,228
Less Accumulated Depreciation -	<u>501,677</u>
Total -	<u>221,551</u>
	\$1,022,373

Net Capital Expenditures were \$129,407

AUTO ELECTRIC SERVICE COMPANY, LIMITED

(Incorporated under the laws of Ontario)

AND ITS SUBSIDIARY COMPANIES

ASSETS

CURRENT	1965	1964
Cash on hand - - - - -	\$ 4,103	\$ 3,965
Investments in Government of Canada, Provincial and Provincial guaranteed bonds	31,412	34,225
Trade and sundry accounts receivable after deducting allowance of \$42,607 (1964-\$49,017) - - - - -	1,079,354	1,064,942
Inventories of merchandise valued at replacement cost after provision for obsolete and slow-moving parts - - - - -	2,338,128	2,260,375
Prepaid expenses - - - - -	8,372	29,712
Life insurance—cash surrender value - - - - -	97,425	90,873
	<hr/> 3,558,794	<hr/> 3,484,092
LAND, BUILDINGS, EQUIPMENT AND AUTOMOBILES, AT COST - - - - -	1,783,260	1,685,995
Less accumulated depreciation - - - - -	760,887	713,632
	<hr/> 1,022,373	<hr/> 972,363
Excess of cost of investment in subsidiaries over net book value - - - - -	75,068	85,748
	<hr/> \$4,656,235	<hr/> \$4,542,203
	<hr/> <hr/>	<hr/> <hr/>

Approved on behalf of the Board

GEORGE J. BEATTIE, *Director*

H. C. BRINDLE, *Director*

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of AUTO ELECTRIC SERVICE COMPANY, LIMITED and its subsidiary companies as at December 31, 1965 and the statements of consolidated profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of the companies as at December 31, 1965 and the results of their operations for the

Consolidated Balance Sheet as at December 31, 1965

th comparative figures for 1964)

L I A B I L I T I E S

C U R R E N T

	1965	1964
Bank advances (secured) - - - - -	\$ 927,745	\$ 720,588
Accounts payable and accrued charges - - - - -	568,142	601,005
Sinking fund payment on debentures due on or before April 1, 1966 - - - - -	33,000	33,000
Notes and mortgage payments due in 1966 - - - - -	71,000	71,000
Income taxes payable - - - - -	49,597	55,709
	<u>\$1,649,484</u>	<u>\$1,481,302</u>

L O N G - T E R M D E B T

Mortgage payable in instalments 1967 to 1973 inclusive - - - - -	40,000	45,000
Notes payable in instalments 1967-1969 inclusive - - - - -	63,626	129,626
5½% 15-year Sinking Fund Debentures due April 1, 1968—Outstanding after deducting the sinking fund payment included in current liabilities - - - - -	71,000	104,000
	<u>174,626</u>	<u>278,626</u>
Accumulated tax reductions applicable to future years - - - - -	36,369	33,862

C A P I T A L S T O C K A N D S U R P L U S

Capital Stock (Note 1)

Authorized

—1,000,000 shares without par value

Issued and outstanding

—396,552 shares (1964—396,352 shares) - - - - -	67,043	66,170
Earned surplus - - - - -	2,728,713	2,682,243
	<u>2,795,756</u>	<u>2,748,413</u>
	<u><u>\$4,656,235</u></u>	<u><u>\$4,542,203</u></u>

N O T E S :

1. The Company had in force during the year a share option plan for officers and key employees of the Company and its subsidiaries. Pursuant to options granted under the plan 200 shares without par value were taken up during the year for cash in the aggregate amount of \$873. At the end of the year the position under the plan was that:
 - (a) options to purchase 10,920 shares without par value at \$4.36½ per share exercisable up to June 4, 1968 and an option to purchase 5,000 shares without par value at \$4.41 per share exercisable up to June 17, 1968 were outstanding; and
 - (b) options to purchase an additional 3,000 shares without par value might be granted up to March 8, 1968.
2. The Company has entered into a 25 year lease from January 1, 1966 on a property at 1000 Lawrence Ave. West, Toronto, under which the rental amounts to \$50,400 per annum.

year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. We report that members of our firm or their immediate families own not more than 5% of the issued shares of the Company in the aggregate, which shares were acquired through open market purchase and substantially all of which were acquired more than five years ago.

Toronto, Ontario, March 23, 1966.

CAMPBELL, LAWLESS & PUNCHARD,
Chartered Accountants

AUTO ELECTRIC SERVICE COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

Central Service Distributors for:

BENDIX-ECLIPSE OF CANADA, LIMITED - - - - -	Windsor, Ont., Canada
BRIGGS & STRATTON CORPORATION - - - - -	Milwaukee, Wis., U.S.A.
CANADIAN CURTISS WRIGHT LIMITED - - - - -	Toronto, Ont., Canada
CANADIAN SHALER PRODUCTS LIMITED - - - - -	Toronto, Ont., Canada
CARTER CARBURETOR DIVISION OF ACF INDUSTRIES INC. - - - - -	St. Louis, Mo., U.S.A.
CHRYSLER OUTBOARD CORP. - - - - -	Hartford, Wis., U.S.A.
CLINTON ENGINES CORP. - - - - -	Maquoketa, Iowa, U.S.A.
CONTROLS COMPANY OF CANADA LIMITED - - - - -	Cooksville, Ont., Canada
DOMINION ELECTROHOME INDUSTRIES LIMITED MOTOR AND METAL PRODUCTS DIVISION - - - - -	Kitchener, Ont., Canada
FAIRBANKS, MORSE INC. - - - - -	Beloit, Wis., U.S.A.
LESLIE HARTRIDGE (CANADA) LIMITED - - - - -	Toronto, Ont., Canada
KING-SEELEY DIVISION OF KING-SEELEY THERMOS CO. - - - - -	Ann Arbor, Mich., U.S.A.
JOSEPH LUCAS LIMITED - - - - -	Birmingham, England
MARVEL-SCHEBLER PRODUCTS DIVISION BORG-WARNER CORPORATION - - - - -	Decatur, Ill., U.S.A.
MOTOROLA AUTOMOTIVE PRODUCTS INC. - - - - -	Franklin Park, Ill., U.S.A.
THE PRESTOLITE COMPANY DIV. OF ELTRA OF CANADA LIMITED - - - - -	Sarnia, Ont., Canada
PUROLATOR PRODUCTS (CANADA) LIMITED - - - - -	Toronto, Ont., Canada
SIERRA SUPPLY COMPANY - - - - -	Warren, Mich., U.S.A.
SLICK ELECTRO INC. - - - - -	Rockford, Ill., U.S.A.
TRICO PRODUCTS CORPORATION - - - - -	Buffalo, N.Y., U.S.A.
WALBRO CORPORATION - - - - -	Cass City, Mich., U.S.A.
THE WEATHERHEAD COMPANY OF CANADA LIMITED - -	Toronto, Ont., Canada
WICO ELECTRIC COMPANY - - - - -	West Springfield, Mass., U.S.A.

Service Distributors for:

ROBERT BOSCH (CANADA) LIMITED - - - - -	Toronto, Ont., Canada
CANADIAN ACME SERVICE PARTS - - - - -	Toronto, Ont., Canada
CANADIAN GENERAL ELECTRIC COMPANY LIMITED - -	Toronto, Ont., Canada
CHICAGO RAWHIDE PRODUCTS (CANADA) LIMITED - -	Brantford, Ont., Canada
B. F. GOODRICH CANADA LIMITED - - - - -	Kitchener, Ont., Canada
HOLLEY CARBURETOR CO. - - - - -	Warren, Mich., U.S.A.
KOHLER COMPANY - - - - -	Kohler, Wis., U.S.A.
LAUSON-POWER PRODUCTS— DIVISION OF TECUMSEH PRODUCTS COMPANY - - -	Grafton, Wis., U.S.A.
LEECE-NEVILLE COMPANY - - - - -	Cleveland, Ohio, U.S.A.
JOSEPH LUCAS (CANADA) LIMITED } CAV LIMITED } - - - - -	Toronto, Ont., Canada
MINTEX FEDERAL LIMITED - - - - -	Toronto, Ont., Canada
QUAKER STATE OIL REFINING CO. OF CANADA LTD. - -	Toronto, Ont., Canada
S. SMITH & SONS (CANADA) LIMITED - - - - -	Toronto, Ont., Canada
TILLOTSON MANUFACTURING COMPANY - - - - -	Toledo, Ohio, U.S.A.
UNITED MOTORS SERVICE—A. C. DIVISION, GENERAL MOTORS PRODUCTS OF CANADA, LTD. - - -	Oshawa, Ont., Canada
WAGNER BRAKE COMPANY LIMITED - - - - -	Weston, Ont., Canada

Service Agents for: and others.

ASSOCIATED ELECTRICAL INDUSTRIES (CANADA) LTD. - - - - -	Toronto, Ont., Canada
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A NATIONAL SALES AND SERVICE ORGANIZATION SERVING THE AUTOMOTIVE, MARINE, FARM AND INDUSTRIAL TRADE ACROSS CANADA THROUGH ITS WIDESPREAD SUBSIDIARIES AND BRANCHES